



Fiscal Outlook

Staying on the Path of Sustainability

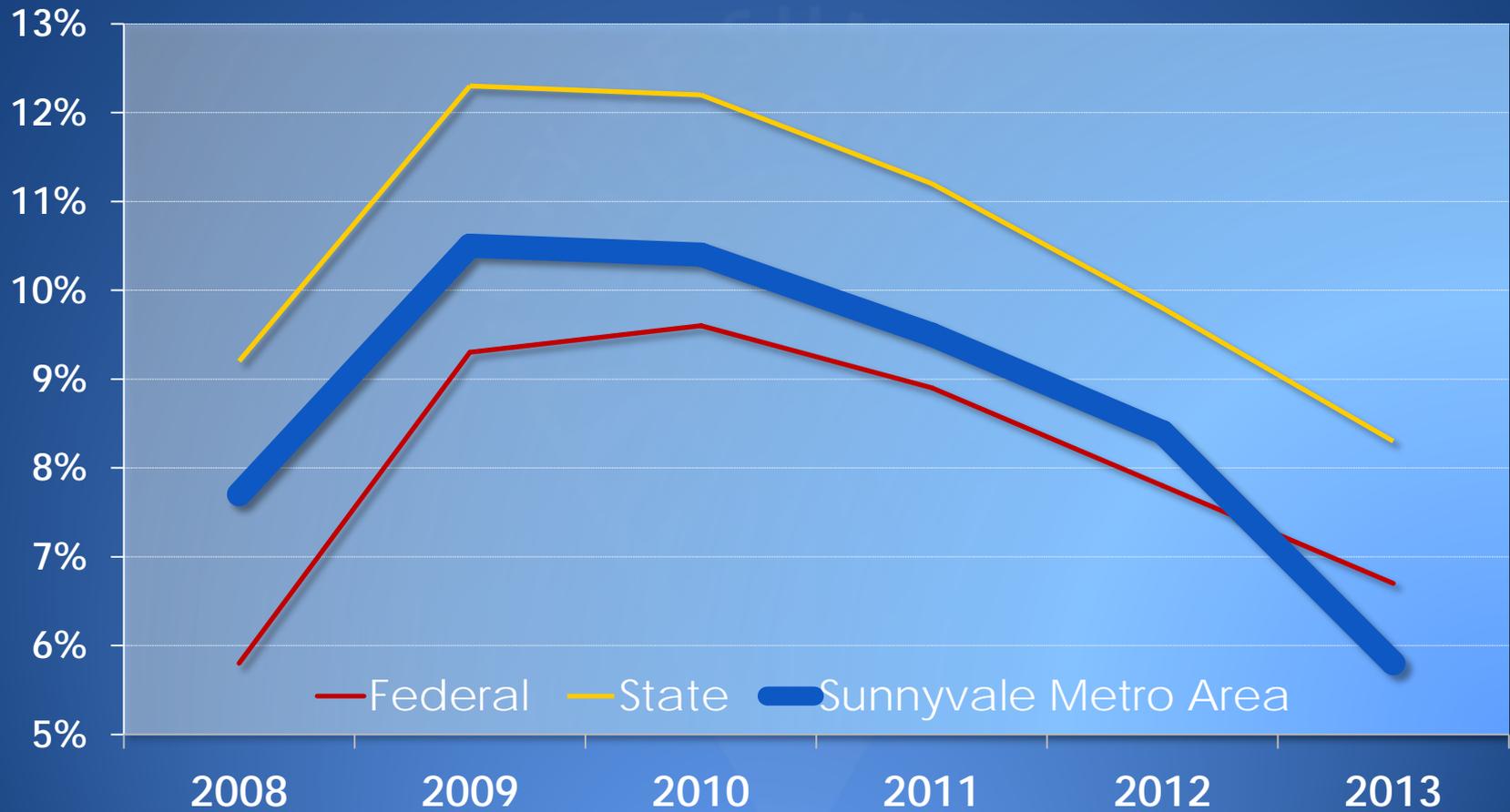
February 7, 2014



2014 Economic Forecast

- Current moderate economic recovery will accelerate in 2014
- Positive indicators: jobless rate, stock market growth, housing recovery, consumer spending, Federal Reserve easing stimulus
- Concerns: slowdown in China's growth, income inequality gap widening, potential correction in financial and housing markets

Jobless Rate



S&P 500 Index Rise in 2013



Sunnyvale Home Sales



State Budget Update

- FY 2014/15 Proposed Budget released January 9
- End FY 2014/15 with \$2.3 billion reserve
- Forecasts balanced budgets through FY 2017/18
- Continues pay down of “wall of debt”
- Unfunded liabilities not addressed
- Revised FY 2014/15 Budget in May

Five Key Commitments

- Manage personnel costs
- Sustainable retirement costs
- Achieve optimum service levels
- Address long term infrastructure needs
- Stay the course

Accomplishments

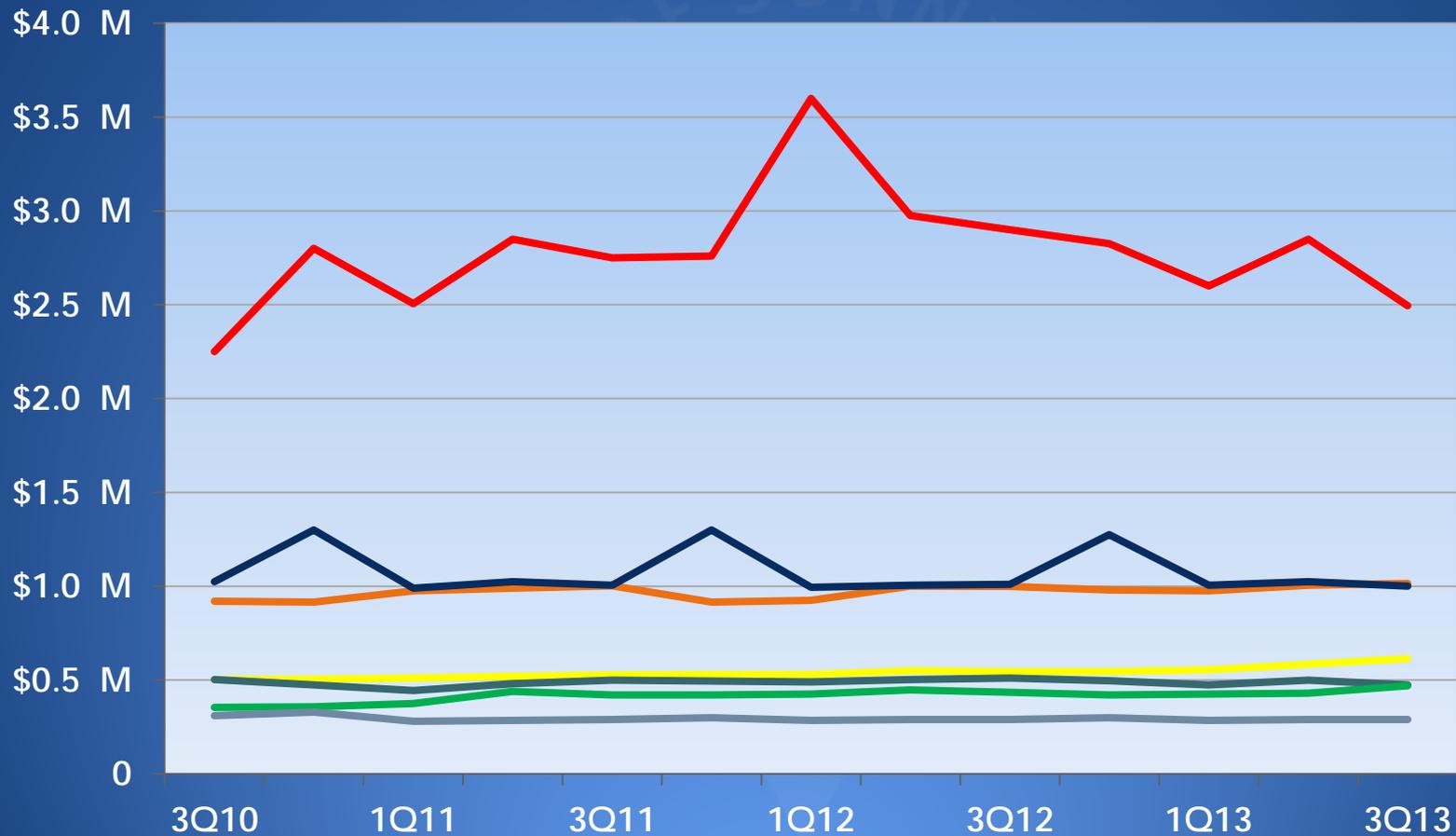
- Lower benefit retirement plans in place
- FY 2013/14 salary increases as budgeted
- OPEB Trust over \$50 million
- Seven positions added in FY 2013/14 budget
- Additional one PSO and one Dispatcher added in current year
- Pavement Condition Index at 79

FY 2013/14 Update - Revenue

- Property Tax
 - FY 2013/14 projection: +5%
 - On track to exceed – assessed valuation up more than 9% over FY 2012/13
 - Residential values increased 10%
 - 58% of previously reduced values recaptured
 - FY 2014/15 tax roll – CPI adjustment 0.454%
 - Commercial growth projected

Sales Tax Revenue

Results from Prior 13 Quarters by Major Industry Group



Sunnyvale Sales Tax Revenue

15 Year History



FY 2013/14 Update - Revenue

- Sales Tax
 - FY 2012/13 came in \$1M under projections
 - FY 2013/14 1st Quarter down 3.8% from prior year Q1
 - Current year estimated to be \$2M under projection
 - Additional \$2M negative adjustment due to SBOE audit decision over 2 years
 - Revise long term projections – adjust baseline downward
 - Year to year volatility
 - Sales tax not keeping up with economy

FY 2013/14 Update - Revenue

- Development-related and TOT remain strong
- TOT rate increase in effect in January

	FY 13/14 Projection	Current Year-to-Date		Final FY 12/13	FY 12/13 Year-to-Date
Development	\$9M	\$5.6M		\$12.9M	\$6.7M
TOT	\$8.6M	\$4.3M		\$9M	\$3.8M

FY 2013/14 General Fund Operations

Department	Budget	Y-T-D Exp.	% of Budget
CDD	\$5,847,012	\$2,926,469	50.1%
FIN	\$7,856,213	\$3,795,229	48.3%
HRD	\$3,576,685	\$1,649,551	46.1%
LCS	\$16,653,456	\$7,628,794	45.8%
OCA	\$1,839,243	\$721,690	39.2%
OCM	\$4,153,145	\$2,121,051	51.1%
DPS	\$76,515,917	\$37,779,648	49.4%
DPW	\$20,884,116	\$10,044,889	48.1%
Total	\$137,325,787	66,667,321	48.5%

51.2% of the fiscal year has elapsed

FY 2013/14 Utility Fund Operations

- Water enterprise under pressure from drought
- SMaRT RFP underway, proposals received
- Solid Waste Cost of Service Rate Review underway
- Increasing operating expenses for WPCP
 - Significant rate increases currently built into long term financial plan

Pressures Going Forward

- Long Term Revenue Outlook
- PERs costs continue to rise
- Majority of MOUs to be negotiated
- PSOA Salary Survey Assumptions
- City Administrative Facilities Infrastructure
- RDA dissolution impacts
- Increasing demands on service levels



FY 2014/15 Recommended Budget

- Focus on operations and service levels
- Currently finalizing review of department budget submittals and developing revenue projections
- Proposed utility rate adjustments will be noticed end of April
- City Manager's Recommended Budget to Council early May
- Budget Workshop – May 22, 2014
- Public Hearing and Budget Adoption in June



Staying on the Path of Sustainability

- Robust local economy
- Strong local job market
- Maintaining focus on core services
- Mitigating long term increases in expenses
- Stay the course